



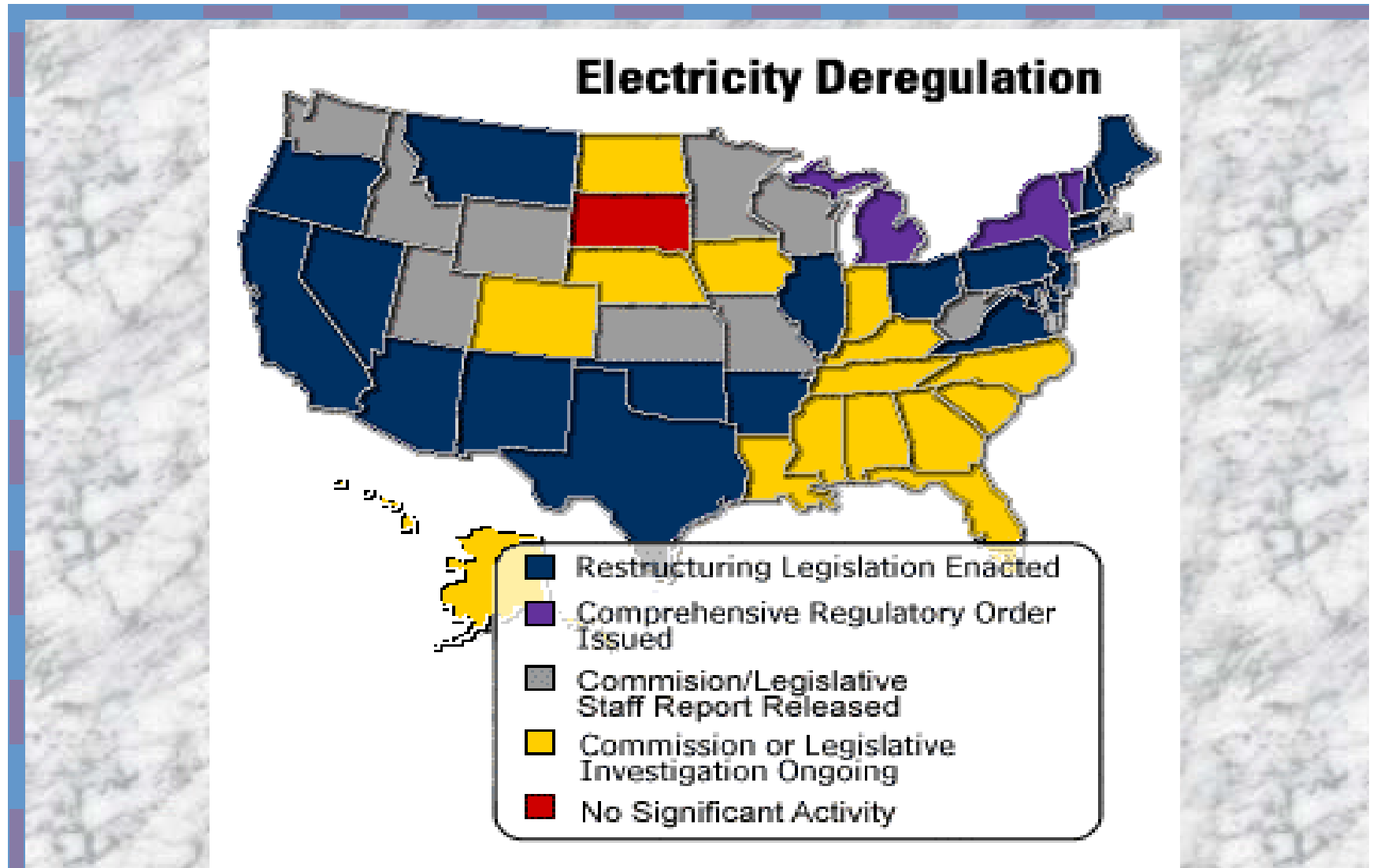
~~De~~(Re)regulation: Southeast Perspective

Bill Eisele, CEM
South Carolina Electric and Gas
Manager, Government Accounts & Services

Points

- ◆ Region
- ◆ Why?
- ◆ Politics
- ◆ Transmission
- ◆ Generation
- ◆ Future Cost Drivers
- ◆ Closing

Region



Why Deregulate?

- ◆ Choice
- ◆ Lower price
- ◆ Energy Consumers for Choice
- ◆ Electric Consumers Council
- ◆ Carolina Utility Customers Association
- ◆ SC Electric Users Council
- ◆ Manufacturers Association
- ◆ Driven by large users

Why Is It A Problem?

- ◆ The system was designed for specific purposes
 - ◆ Reasonable cost
 - ◆ High reliability
 - ◆ Availability
 - ◆ Comfort & Convenience
- ◆ Change in corporate business
- ◆ 100's of Billions of \$\$

Politics

- ◆ Large rural area, many residents below the national average income
- ◆ Numerous Co-Ops, active grassroots network
- ◆ Average electric cost is at or below the national average
- ◆ Economic development is booming: BMW, Mercedes, NUCOR, Bridgestone
- ◆ Residential customers are not complaining
- ◆ Corporations do not vote

Politicians & Utilities

- ◆ "...not in the public interest at this time..."
- ◆ "Nothing is broken..."
- ◆ "...let others make the early mistakes..."
- ◆ "...what is your satisfaction with the phone service..."
- ◆ "...price spikes in low cost states..."
 - ◆ Montana \$35 MWH went to \$625 MWH
- ◆ Most state political officials have a go slow approach

Progress To Deregulation

- ◆ North Carolina may be the first to go
 - ◆ pushed by Duke, generation business
 - ◆ Electric Cities (51), debt on nuclear assets
- ◆ Arkansas - at least '03, maybe '05 or '07
 - ◆ driven by Texas
- ◆ Center for the Advancement of Energy Market - www.caem.org
 - ◆ measure 18 "attributes" of progress
 - ◆ use 1-100 scale to rate utilities

SE Progress Ratings

- ◆ Texas - 45
- ◆ Arkansas - 31
- ◆ South Carolina & Kentucky - 10
- ◆ Georgia & Oklahoma - 8
- ◆ Alabama - 7
- ◆ FL, WV, NC, MS & LA - 5 or less
- ◆ Tennessee - 0

Transmission

- ◆ Generally there are no constraints
- ◆ Spot problems easily solved by rerouting
- ◆ Contracted sales are rarely canceled due to delivery constraints
- ◆ Could become a problem in southern Florida if growth continues and generation is not constructed

Generation Capacity

- ◆ Everything is OK
- ◆ Peak demand: 2000 - 176,000 MW
- ◆ Growth is estimated at 2.5% annually
- ◆ Must acquire an additional 38 GW by 2008
- ◆ Reserve margins 2000 - 16%
- ◆ Estimated for 2008 - 14%

New Generation

◆ Through 2008 - 58 GW planned for consideration

◆ 2001 14 GW

◆ 2002 21 GW

◆ 2003 16 GW

◆ 2004 4 GW

Generation Mix

	<u>Present</u>	<u>New Additions by 2008</u>
Coal	51%	0%
Nuclear	37%	0.5%
Hydro	1%	2.5%
CTs	1.5%	87%
Other	9.5%	10%

Future Costs - Environmental

- ◆ 110 SIP - State Implementation Plan
 - ◆ ground level ozone caused by pollutants generated in one State and traveling to another State
 - ◆ SE implementation cost is over \$3 billion
- ◆ PM25 & PM10
 - ◆ particulate matter 2.5 & 1.0 microns or less
 - ◆ sulfate and ash
 - ◆ visibility and haze

Future Costs - Environmental

◆ New Source Review

- ◆ EPA review of past 22 years of purchases made for power plant equipment
- ◆ see if the equipment meets the definition of "retrofit"
- ◆ if so, the plant should have been brought up to environmental standards

◆ Mercury

- ◆ water and air emissions

Deregulation Driver - Low Cost

- ◆ 1,000 kWh for a residential consumer
 - ◆ Regulated Utility #1 \$90
 - ◆ Regulated Utility #2 \$84
 - ◆ Regulated Utility #3 \$81
 - ◆ Regulated Utility #4 \$66
- ◆ Industrial users see similar price differences
- ◆ Customers are slow to adopt energy efficiency measures
- ◆ Is cost really the issue?

Closing

- ◆ Not about cost
- ◆ Relative cost - everyone wants a good deal
- ◆ Reliability - must be considered and priced
- ◆ Choice - the American way
- ◆ There is no going back!!
- ◆ Well I remember back in '01 when...